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VIA OVERNIGHT MAIL

CINERGY®

November 24 2004

Ms. Elizabeth O'Donnell
Executive Director,
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

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NOV 29 2004

PUBLIC SERVICE
COMMISSION

Re: Case No. 2004-00435

Dear Ms. O'Donnell:

Enclosed please find an original and 6 copies of The Union Light, Heat and Power Company's Response to First Data Request of Commission Staff, which are being submitting for filing. Please return to me one file-stamped copy in the enclosed overnight mail envelope.

If you have any questions, please feel free to contact me at (513) 287-3075.

Sincerely,



Michael J. Pahutski

MJP/mak

Enclosures

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PUBLIC SERVICE
COMMISSION

KyPSC Staff First Set Data Requests
ULH&P Case No. 2004-00435
Date Received: November 19, 2004
Response Due Date: November 29, 2004

KyPSC-DR-01-001

REQUEST:

1. Refer to page 6 of the application. ULH&P states that it expects to use the proceeds of the issuance of the securities for the repayment of short-term and long-term indebtedness, future construction expenditures, and for other lawful corporate purposes.
 - a. Describe the extent, if any, to which estimated future construction expenditures include ULH&P's Accelerated Main Replacement Program costs.
 - b. Identify and describe the types of items included in the "other lawful corporate purposes."

RESPONSE:

- a. The program is included in the gas department construction costs.
- b. ULH&P uses the term, "other lawful purposes" to refer to those activities consistent with its corporate purposes, as set forth in its Restated and Amended Articles of Incorporation, attached hereto.

WITNESS RESPONSIBLE: Christopher J. Vogt

*Restated and Amended
Articles of Incorporation*

of

The Union Light, Heat and Power Company

Restated Effective May 7, 1976
Amended Effective July 24, 1997

RESTATED AND AMENDED ARTICLES OF INCORPORATION

of

THE UNION LIGHT, HEAT AND POWER COMPANY

The Union Light, Heat and Power Company, a corporation for profit, heretofore organized in the year 1901 and now existing under the laws of the Commonwealth of Kentucky, adopts, makes and files, pursuant to Kentucky Revised Statutes Section 271A.320, these Restated Articles of Incorporation to supersede and take the place of its heretofore existing Articles of Incorporation and all previously adopted Amendments thereto:

ARTICLE FIRST

The name of the corporation is The Union Light, Heat and Power Company (hereinafter referred to as the "Company").

ARTICLE SECOND

The Company commenced its existence on the Twentieth day of March, 1901, and shall have perpetual duration.

ARTICLE THIRD

The place in the Commonwealth of Kentucky where the registered office is located is C T Corporation System, c/o Kentucky Home Life Building, in the City of Louisville, and the County of Jefferson, and the principal place of business of the Company is located at 107 Brent Spence Square, in the City of Covington, and the County of Kenton.

ARTICLE FOURTH

The corporate purposes of the Company are as follows:

(a) The construction, operation and maintenance of works and plants for the manufacture, generation, production, purchase, delivery and sale of steam, hot water, water, electricity and of gas, both natural and artificial, and of their by-products, and for the production, delivery and sale of any other kind of light; and the furnishing, supplying and selling said electricity and natural and artificial gas, or any kind of light for lighting the streets, roads, avenues, alleys, lands, squares, public places and building of cities, villages, towns, districts, and counties, and, also furnishing, supplying and selling said steam, hot water, water, and electricity, and natural and artificial gas, or any kind of light to said cities, villages, towns, districts, and counties, and to the inhabitants thereof, for light, heat, water and power purposes, and for all other purposes for which steam, hot water, water, electricity and natural and artificial gas, or any kind of light, may be used; and to enable it to carry out said purposes, the Company is authorized and empowered to construct, purchase or otherwise acquire, own, lease, operate and maintain all necessary plants, buildings, pipes, wires, machinery, apparatus and appliances and other material and property, both real and personal, necessary or convenient therefor, and to lease, let, sell, or otherwise dispose of the same, or any part thereof; and to conduct, distribute and supply said steam, hot water, water, electricity and gas, or any kind of light, both natural and artificial, by means of any material, pipes, conduits, apparatus, or other devices, either on, above or under the ground;

(b) To subscribe for, or to purchase, or otherwise acquire the possession of , and sell shares of stock or bonds, or other securities of any other company or corporation, resident or non-resident of the State of Kentucky; and

(c) To do and perform all other matters and things which may be necessary or desirable to carry out any or all of said objects or purposes.

ARTICLE FIFTH

The capital stock of the Company shall be Fifteen Million Dollars (\$15,000,000) divided into 1,000,000 shares of the par value of Fifteen Dollars (\$15) each.

The holders of Capital Stock shall not be entitled to subscribe for or purchase or receive any part of any new or additional issue of, or any warrant, option or other right for the purchase of, stock of any class or securities convertible into stock of any class whether now or hereafter authorized and whether issued for cash, property, by way of dividends or otherwise, except as authorized by the Board of Directors.

ARTICLE SIXTH

The Company shall have the power to borrow money and to issue bonds, bills, promissory notes or other evidences of indebtedness and to pledge or mortgage its property, real and personal, to secure the same.

ARTICLE SEVENTH

The affairs of the Company shall be conducted by a Board of no fewer than five, nor more than fifteen directors, who need not be stockholders in the Company, and by the officers who may be chosen by said Board. The Board of Directors of the Company shall be chosen by the stockholders at the regular annual meeting of the Company in each year, or at such other time and place as the stockholders may designate. All directors shall continue in office until their successors are elected and have entered upon the discharge of their duties.

Restated effective May 7, 1976
Amended effective July 24, 1997

KyPSC Staff First Set Data Requests
ULH&P Case No. 2004-00435
Date Received: November 19, 2004
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KyPSC-DR-01-002
Page 1 of 2

REQUEST:

2. Refer to page 7 of the application. ULH&P states that in Case No. 2001-00439 the Commission approved the issuance and sale of up to \$75,000,000 in First Mortgage Bonds or unsecured debt and the use of interest rate management techniques for a period ending December 31, 2004. ULH&P further states that as of the date of the application, it has not utilized any of the existing authority.
 - a. Explain whether ULH&P intends to utilize its existing authority to issue First Mortgage Bonds or unsecured debt on or before December 31, 2004. If ULH&P plans to issue first Mortgage Bonds or unsecured debt under its existing authority, provide a description of the type of securities or debt and the amount of each type to be issued.
 - b. Identify and explain the differences in the parameters of interest rate management techniques sought by ULH&P in this proceeding and those interest rate management techniques approved by the Commission in Case No. 2001-00439.
 - c. ULH&P proposes to issue and sell, from time to time over a period ending December 31, 2006, up to \$75 million in bonds or debentures. Explain whether ULH&P expects market conditions for that period to improve over the market conditions that have existed since the Commission, in Case No. 2001-00439, authorized \$75 million in long-term debt for the period ending December 31, 2004.

RESPONSE:

- a. At this point there is not a plan to issue first mortgage bonds prior to the expiration of the current authority granted in Case No. 2001-00439. There are plans to issue \$40 million in unsecured debt prior to the expiration of the authority granted in Case No. 2001-00439. They will be senior subordinated debentures with a maturity of ten years.
- b. The parameters do not vary in any material way from the parameters of the previous case. ULH&P continues to require the ability to manage the risk inherent in capital markets through interest rate management techniques.

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KyPSC-DR-01-002
Page 2 of 2

- c. ULH&P has no insight into the movements of rates in the capital markets. Most of our financial advisors and the forward and futures markets indicate that rates will rise over the near and medium term. The last two years have been a falling rate environment while recently there has been a rising rate environment. Market conditions remain favorable to issuance of debt.

WITNESS RESPONSIBLE: Christopher J. Vogt

KyPSC Staff First Set Data Requests
ULH&P Case No. 2004-00435
Date Received: November 19, 2004
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KyPSC-DR-01-003

REQUEST:

3. ULH&P had 6.11 percent debentures in the amount of \$20,000,000 that were due December 8, 2003. Describe the source of the funds used for repayment of the debentures at maturity. If securities were issued, identify the registration statement under which the issuance was authorized.

RESPONSE:

ULH&P used short term debt for the repayment utilizing inter-company borrowing under the moneypool; no securities were issued.

WITNESS RESPONSIBLE: Christopher J. Vogt